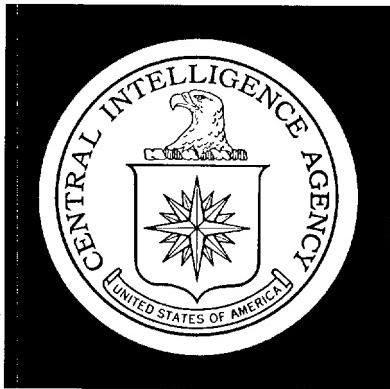


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C SUDAN: Forces loyal to General Jaffar Numayri apparently have successfully moved against the Communist-affiliated junta that ousted Numayri on 19 July.

Tank and small-arms fire was observed throughout Khartoum yesterday, according to the US Interests Section, as Numayri supporters regained control of the radio and television stations. Numayri announced by radio and television the restoration of his government and directed the armed forces and the people to begin an all-out search for Communists. At nightfall the city had become quiet and only scattered shooting was being reported.

Early yesterday the Libyan Government, which has a long-standing antipathy for Sudanese Communists, forced the BOAC airliner carrying two members of the anti-Numayri government, Babakr al-Nur Uthman and Faruq Hamdallah, to land at Benghazi. The two men were removed from the aircraft by Libyan authorities, an act that drew an angry British protest. Shortly thereafter, the shooting began in Khartoum and the leader of the anti-Numayri forces, Colonel Hashim al-Atta called for resistance to "foreign intervention." Numayri later announced that al-Atta had escaped.

The chances of success for Numayri's counter-coup are enhanced by the fact that his opposition had only three days in which to consolidate their power. Numayri's plea for a roundup of Communists is in line with his efforts since last fall to remove them from cabinet and other government posts.

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ARMS CONTROL: The USSR has substantially accommodated the changes desired by the US in the Soviet draft treaty on biological weapons (BW).

Ambassador Roshchin, chief of the Soviet delegation to the Geneva disarmament talks, informed Ambassador Leonard Wednesday of Soviet acceptance of virtually all the proposed US revisions. The Soviets have modified five of the US points, but even the modifications mark considerable movement toward the US position. The Soviet response could lead to agreement in Geneva this summer on a BW convention to be submitted to the UN General Assembly this fall.

The door was opened for the current progress by Soviet presentation in March of a draft BW convention dropping Moscow's previous insistence on an all-embracing treaty to include chemical weapons (CW). Ambassadors Roshchin and Leonard will consult further in the days ahead on how to submit an agreed US-Soviet text to the other conferees in Geneva. Roshchin has indicated that the Soviets are flexible on this question, and that the basic Soviet desire is to handle it in a way that will develop maximum support among the nonaligned delegates. Although the latter still would prefer a joint BW-CW convention and are urging rapid progress on CW, they deny any intention to obstruct agreement on a treaty limited to BW.

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JAPAN: Mounting criticism over the China issue has added impetus to speculation that Prime Minister Sato may resign later this year.

Former foreign minister Ohira, a leading aspirant to succeed Sato, told the US ambassador on 20 July that the prime minister would probably step down following Diet ratification of the Okinawan reversion agreement in late fall. Other party leaders have also recently evinced a rising lack of confidence in the prime minister, whose unprecedented fourth consecutive term does not end until November 1972.

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The prime minister now faces a dilemma: his flexibility on China is somewhat limited by his right wing supporters' close political and economic ties with Taiwan, while rivals within the LDP are prepared to abandon his ship if it appears to be foundering over the China issue.

Ohira claimed that the question of Sato's successor was far from settled. He suggested that dissident LDP members might be willing to join with opposition parties to elect an LDP leader as prime minister who was not the official party candidate. This was a reference to opposition within the party to Foreign Minister Fukuda, who is widely regarded as Sato's heir apparent. Ohira speculated that whoever succeeds Sato would have to call general elections promptly to seek a popular mandate. He claimed that the LDP would suffer a "substantial" loss in Diet strength as a result of such elections. [redacted]

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FRANCE: The government is tightening its monetary controls to slow inflation and squelch rumors of revaluation.

The Bank of France has raised the reserve requirements for commercial banks by another percent, the third such increase in two months. The move, prompted by the recent strengthening of the franc on foreign-exchange markets and heavy inflows of funds into France, is aimed at slowing inflation by braking the rapid monetary expansion. It also is designed to suppress rumors that the government is considering revaluation as a means of coping with inflation. In the first three months of this year, the money supply was expanding at an annual rate of 30 percent. This has now been slowed to 15 percent, but it is still well above the growth of gross national product. Prices are rising at an annual rate of nearly seven percent.

With wage rates rising at around ten percent a year, and with contracts in several of the public-sector industries pegged to the cost of living, a key political objective is to moderate the rate of inflation. Added pressures, however, will make this objective difficult to achieve. These include higher import costs stemming from the floating of the German mark and Dutch guilder and another substantial rise in French farm prices, scheduled for next month, which will bring them to the levels of those of its partners in the European Community.

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CHILE: Opposition Christian Democrats now hold the leadership of both houses of Congress.

The election of Fernando Sanhueza as president of the Chamber of Deputies on 20 July gives the Christian Democratic Party (PDC) all three top posts there. The PDC won the leadership of the Senate earlier this year. Sanhueza was elected without the support of the conservative National Party (PN), but this probably does not indicate abandonment of the hard-won opposition cooperation that defeated the government in last week's legislative by-election.

The PDC is still the largest political party in Chile; it has the largest congressional representation, and with the PN and a smaller opposition party makes up a majority in both congressional houses. The leadership posts are not powerful, but they provide prestige and some procedural leverage that could be useful in implementing stronger opposition tactics against the government's Popular Unity (UP) coalition.

Congressional opposition thus far has not been a serious obstacle to Allende. If trouble is certain, as in the case of control of banking, he has bypassed the legislature. Now, however, the government faces increasing problems in transforming Chile into a socialist system. The UP may, therefore, proceed with its reported plans for a propaganda campaign to discredit the opposition, particularly the Congress, in an effort to emphasize the need for a unicameral assembly, which was part of Allende's campaign program. The UP believes that it can create such an assembly more responsive to its control and may use the constitutionally acceptable resort to a national plebescite to push the issue if the coalition decides it could win such a test.

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TURKEY: A second 60-day extension of martial law, due to expire on Monday, appears to be a virtual certainty. Eleven of Turkey's 67 provinces, embracing all major cities and sensitive areas, were placed under military control on 26 April following a period of increasing violence by leftist radicals. The situation now is generally quiet and many known terrorists who have been arrested in recent months are being tried in military courts. Twenty-one alleged terrorists under indictment face the death penalty; several other key figures remain at large. Although Prime Minister Erim has publicly declared his hope for an early end to martial law, he probably will not press for it at this time. [redacted]

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